

INVESTMENT ADVISER
CAPITAL GROWTH MANAGEMENT
LIMITED PARTNERSHIP
Boston, Massachusetts 02110

CGM Focus Fund

63rd Quarterly Report
June 30, 2013

A No-Load Fund

TELEPHONE NUMBERS

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This report has been prepared for the shareholders of the Fund and is not authorized for distribution to current or prospective investors in the Fund unless it is accompanied or preceded by a prospectus.

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Investment Adviser

Capital Growth Management
Limited Partnership

To Our Shareholders:

CGM Focus Fund returned 1.0% during the second quarter of 2013 compared to a return of 2.9% for the unmanaged Standard and Poor's 500 Index. For the first six months of the year, CGM Focus Fund returned 15.3% and the unmanaged Standard and Poor's 500 Index, 13.8%.

Much like the first three months of the year, the second quarter served up a mixture of good and bad economic news. On April 3, the Institute of Supply Management (ISM) announced its non-manufacturing index fell to 54.4, a seven month low. Higher taxes and federal budget cuts were purported to blame for the slowdown. Two days later on the first Friday of the month, the Labor Department released disappointing March employment numbers: Employers added only 88,000 new jobs, fewer than any month in the past year (though the number was later revised up to 142,000). The unemployment rate dropped to 7.6%, but only because an estimated almost half million people left the workforce in March. On a more encouraging note, housing starts in March rose 7.0% to an annual rate of 1,036,000 (later revised to 1,005,000) and new home sales climbed 1.5% (revised to 1.3%) to 417,000 annualized (revised to 451,000), the second highest jump in three years. Despite the mixed signals, the U.S. equity market, as measured by the S&P 500 Index, rose a modest 1.9% in April.

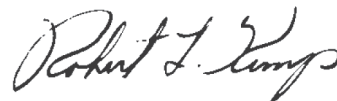
In May, news on the economy was decidedly better though not across the board. The Conference Board's Consumer Confidence Index jumped from 68.1 in April (later revised to 69) to 74.3 in May, a five year high. Employment numbers for April were better than expected with 165,000 new jobs added (later revised to 199,000), driving the unemployment rate down to 7.5%, a four year low. Additionally, February and March employment numbers were revised upwards by 150,000 combined.

June headlines included new car sales, which soared to 1.4 million in May (15.3 million annualized), up 8% from May 2012 according to Autodata Corp. The June "first Friday" employment numbers (for May) were higher than expected, coming in at 175,000 positions added (revised up to 195,000), but not so high as to convince the Federal Reserve Board to discontinue its policy of "quantitative easing." The Standard and Poor's

Case-Shiller Index released in June revealed that existing home prices skyrocketed by 12.1% from April 2012 to April 2013. Important to note was the fact that home prices increased in every one of the twenty metropolitan areas surveyed. The bad news came again from the ISM, which reported a drop in its manufacturing index from 50.7 in April to 49 in May (a reading below 50 indicates contraction in the manufacturing sector). Culprits most likely were cuts in government spending, a downturn in Europe and some slowing in the Chinese economy, but the U.S. equity market was largely unfazed. The Consumer Confidence Index jumped nearly ten points to 84.1 in June.

Longer term interest rates began to move in May with the ten-year Treasury bond trading to yield 1.63% on May 3 and rising to 2.13% on May 31. The Fed met in mid-June and voted to continue its bond buying program, but suggested it might decrease the volume of monthly purchases later in the year as the recovery grows stronger. The bond market reacted quickly with the ten-year Treasury yield jumping to 2.61% on June 25, up almost a full percent since early May. Adding to the jitters were credit problems in China, which sent the short-term interest rate for overnight funds in Shanghai from 6% to 13% in June. The U.S. equity market reacted quickly, and the S&P 500 Index fell from 1,652 on June 18 to 1,573 on June 24 before recovering somewhat to 1,606 at the end of the quarter. In our view, the new Fed policy is constructive and we believe a stronger economy will help drive corporate profits higher, which should support a stronger equity market later in the year.

On June 30, 2013, CGM Focus Fund held major positions in money center banks, the housing and building materials industry and vehicle assembly stocks. The three largest equity positions were Citigroup Inc., Morgan Stanley and the Lennar Corporation (housing and building materials). At the end of the second quarter, approximately 27% of the CGM Focus Fund portfolio was invested in U.S. Treasury bonds sold short.



Robert L. Kemp
President

July 1, 2013

CGM FOCUS FUND

INVESTMENT PERFORMANCE

(unaudited)

Total Return for Periods Ended June 30, 2013

	The Fund's Cumulative Total Return	The Fund's Average Annual Total Return
10 Years	+152.6%	+ 9.7%
5 Years	– 44.5	–11.1
1 Year	+ 29.4	+29.4
3 Months	+ 1.0	—

The performance data contained in the report represent past performance, which is no guarantee of future results. The table above does not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares and assumes the reinvestment of all Fund distributions.

The investment return and the principal value of an investment in the Fund will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted.

CGM FOCUS FUND

PORTFOLIO DIVERSIFICATION as of June 30, 2013

(unaudited)

COMMON STOCKS

Industry	Percent of Net Assets
Banks – Money Center	26.1%
Housing and Building Materials	19.1
Vehicle Assembly	9.5
Retail	7.9
Packaging	6.7
Airlines	6.6
Home Products	5.8
Auto and Related	5.5
Miscellaneous	3.7
Leisure	3.7
Business Services	3.5
Beverages and Tobacco	0.7

BONDS

Industry	Percent of Net Assets
United States Treasury Bonds Sold Short	(27.1)

SCHEDULE OF INVESTMENTS as of June 30, 2013

(unaudited)

COMMON STOCKS — 98.8% OF TOTAL NET ASSETS

	Shares	Value(a)
Airlines — 6.6%		
Delta Air Lines, Inc.	4,220,000	\$ 78,956,200
United Continental Holdings, Inc. (b)	620,000	19,399,800
		<u>98,356,000</u>
Auto and Related — 5.5%		
Hertz Global Holdings, Inc. (b)(c)	3,250,000	80,600,000
Banks – Money Center — 26.1%		
Citigroup Inc. (c)	3,670,000	176,049,900
Morgan Stanley (c)	6,950,000	169,788,500
The Goldman Sachs Group, Inc.	273,000	41,291,250
		<u>387,129,650</u>
Beverages and Tobacco — 0.7%		
Lorillard, Inc.	250,000	10,920,000
Business Services — 3.5%		
IntercontinentalExchange, Inc. (b)	290,000	51,550,400

See accompanying notes to financial statements.

CGM FOCUS FUND

SCHEDULE OF INVESTMENTS as of June 30, 2013 (continued)

(unaudited)

COMMON STOCKS (continued)

	Shares	Value(a)
Home Products — 5.8%		
Whirlpool Corporation (c)	755,000	\$ 86,341,800
Housing and Building Materials — 19.1%		
D.R. Horton, Inc. (c)	3,800,000	80,864,000
Lennar Corporation (c)	3,400,000	122,536,000
PulteGroup, Inc. (b)	4,210,000	79,863,700
		<u>283,263,700</u>
Leisure — 3.7%		
Polaris Industries Inc.	570,000	54,150,000
Miscellaneous — 3.7%		
Magna International Inc.	760,000	54,127,200
Packaging — 6.7%		
Rock-Tenn Company	987,500	98,631,500
Retail — 7.9%		
Signet Jewelers Limited	1,120,000	75,521,600
The Gap, Inc.	1,000,000	41,730,000
		<u>117,251,600</u>
Vehicle Assembly — 9.5%		
Ford Motor Company	5,900,000	91,273,000
General Motors Company (b)	800,000	26,648,000
Tesla Motors, Inc. (b)	215,000	23,097,450
		<u>141,018,450</u>
TOTAL COMMON STOCKS (Identified cost \$1,295,745,306)		<u><u>1,463,340,300</u></u>

SHORT-TERM INVESTMENT — 0.7% OF TOTAL NET ASSETS

	Face Amount	
Tri-party Repurchase Agreement with Fixed Income Clearing Corporation, dated 06/28/2013 at 0.01% to be repurchased at \$10,480,000 on 07/01/2013 collateralized by \$10,855,000 US Treasury Note, 2.00% due 02/15/2022 valued at \$10,692,175 including interest (Cost \$10,480,000)	\$10,480,000	10,480,000
TOTAL INVESTMENTS — 99.5% (Identified cost \$1,306,225,306)		1,473,820,300
Cash and receivables		469,814,252
Liabilities		<u>(462,741,654)</u>
TOTAL NET ASSETS — 100.0%		<u><u>\$1,480,892,898</u></u>

SECURITIES SOLD SHORT — 27.1% OF TOTAL NET ASSETS

	Face Amount	Value(a)
United States Treasury Bonds, 2.750%, 08/15/2042	\$270,000,000	\$ 233,170,380
United States Treasury Bonds, 3.125%, 02/15/2042	100,000,000	93,671,900
United States Treasury Bonds, 3.125%, 02/15/2043	80,000,000	74,712,480
TOTAL SECURITIES SOLD SHORT (Proceeds \$434,021,566)		<u><u>\$ 401,554,760</u></u>

(a) See Note 2A.

(b) Non-income producing security.

(c) A portion of this security has been segregated as collateral in connection with short sale investments (See Note 2E).
See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2013
(unaudited)

Assets

Investments at value (Identified cost \$1,306,225,306)	\$1,473,820,300	
Cash	120	
Deposits with brokers for short sales . .	427,721,051	
Receivable for:		
Securities sold	\$40,442,495	
Shares of the Fund sold	1,650,577	
Dividends and interest	9	42,093,081
Total assets		<u>1,943,634,552</u>

Liabilities

Securities sold short at current market value (Proceeds \$434,021,566)	401,554,760	
Payable for:		
Securities purchased . .	40,919,493	
Shares of the Fund redeemed	13,866,506	
Interest payable	4,914,524	59,700,523
Accrued expenses:		
Management fees	1,199,807	
Trustees' fees	31,256	
Accounting, administration and compliance expenses .	42,667	
Transfer agent fees . . .	154,157	
Other expenses	58,484	1,486,371
Total liabilities		<u>462,741,654</u>

Net Assets \$1,480,892,898

Net assets consist of:		
Capital paid-in	\$4,168,464,545	
Undistributed net investment loss	(7,705,896)	
Accumulated net realized losses on investments	(2,879,927,551)	
Net unrealized appreciation on investments:		
Long positions	167,594,994	
Short positions	32,466,806	
Net Assets	<u>\$1,480,892,898</u>	
Shares of beneficial interest outstanding, no par value	43,830,337	
Net asset value per share*	<u>\$33.79</u>	

* Shares of the Fund are sold and redeemed at net asset value (\$1,480,892,898 ÷ 43,830,337).

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2013
(unaudited)

Investment Income

Income:	
Dividends (net of withholding tax of \$3,360)	\$ 6,800,140
Interest	533
	<u>6,800,673</u>

Expenses:

Management fees	7,247,198
Trustees' fees	63,968
Accounting, administration and compliance expenses	267,065
Custodian fees and expenses	100,401
Transfer agent fees	501,680
Audit and tax services	22,060
Legal	68,901
Printing	84,289
Registration fees	16,855
Line of credit commitment fee	22,122
Interest expense on short sales . . .	6,106,521
Miscellaneous expenses	5,509
	<u>14,506,569</u>
Net investment loss	<u>(7,705,896)</u>

Realized and Unrealized Gain (Loss) on Investments

Net realized gains on investments:	
Long transactions	<u>136,423,466</u>
Net unrealized appreciation on investments:	
Long transactions	46,623,117
Short transactions	41,356,787
	<u>87,979,904</u>
Net realized and unrealized gains on investments	<u>224,403,370</u>

Change in Net Assets from Operations

\$ 216,697,474

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012
From Operations		
Net investment loss.	\$ (7,705,896)	\$ (6,001,338)
Net realized gains on investments	136,423,466	92,028,607
Net unrealized appreciation on investments	87,979,904	131,289,317
Change in net assets from operations	<u>216,697,474</u>	<u>217,316,586</u>
From Capital Share Transactions		
Proceeds from sale of shares	39,465,149	72,771,230
Cost of shares redeemed	<u>(216,865,996)</u>	<u>(566,991,427)</u>
Change in net assets derived from capital share transactions	<u>(177,400,847)</u>	<u>(494,220,197)</u>
Total change in net assets	39,296,627	(276,903,611)
Net Assets		
Beginning of period.	<u>1,441,596,271</u>	<u>1,718,499,882</u>
End of period (including undistributed net investment loss of \$(7,705,896) and \$0 at June 30, 2013 and December 31, 2012, respectively)	<u>\$1,480,892,898</u>	<u>\$1,441,596,271</u>
Number of Shares of the Fund:		
Issued from sale of shares	1,192,699	2,642,366
Redeemed	<u>(6,564,350)</u>	<u>(20,430,407)</u>
Net change	<u>(5,371,651)</u>	<u>(17,788,041)</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

FINANCIAL HIGHLIGHTS

	Six Months Ended June 30, 2013 (unaudited)	For the Year Ended December 31,				
		2012	2011	2010	2009	2008
For a share of the Fund outstanding throughout each period:						
Net asset value at beginning of period	\$29.30	\$25.65	\$34.80	\$29.75	\$26.96	\$52.49
Net investment income (loss) (a)(b).	(0.17)	(0.10)	(0.05)	(0.11)	(0.03)	0.20
Net realized and unrealized gains (losses) on investments and foreign currency transactions	4.66	3.75	(9.10)	5.16	2.85	(25.51)
Total from investment operations	4.49	3.65	(9.15)	5.05	2.82	(25.31)
Dividends from net investment income	—	—	—	—	(0.03)	(0.22)
Net increase (decrease) in net asset value	4.49	3.65	(9.15)	5.05	2.79	(25.53)
Net asset value at end of period	\$33.79	\$29.30	\$25.65	\$34.80	\$29.75	\$26.96
Total return (%)	15.3	14.2	(26.3)	17.0	10.5	(48.2)
Ratios:						
Operating expenses to average net assets (%)	1.10 *	1.10	1.05	1.03	1.02	0.97
Dividends and interest on short positions to average net assets (%)	0.80 *	0.24	—	—	0.21	0.39
Total expenses to average net assets (%)	1.90 *	1.34	1.05	1.03	1.23	1.36
Net investment income (loss) to average net assets (%)	(1.01) *	(0.37)	(0.15)	(0.36)	(0.10)	0.44
Portfolio turnover (%)	280 *(c)	360	496	363	464	504(d)
Net assets at end of period (in thousands) (\$)	1,480,893	1,441,596	1,718,500	3,262,455	3,640,297	4,178,899

(a) Net investment income (loss) per share excluding all related short sale income and expenses (\$) (0.03) (0.04) (0.05) (0.11) 0.03 0.32

(b) Per share net investment income (loss) has been calculated using the average shares outstanding during the period.

(c) Includes short sale transactions.

(d) Portfolio turnover excludes the impact of assets resulting from a merger with the CGM Capital Development Fund.

* Computed on an annualized basis.

See accompanying notes to financial statements.

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS — June 30, 2013

(unaudited)

1. Organization — CGM Focus Fund (the “Fund”) is a non-diversified series of CGM Trust (the “Trust”) which is organized as a Massachusetts business trust under the laws of Massachusetts pursuant to an Agreement and Declaration of Trust. The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company. The Trust has two other funds whose financial statements are not presented herein. The Fund commenced operations on September 3, 1997. The Fund’s investment objective is long-term growth of capital. The Fund intends to pursue its objective by investing in a smaller number of companies, and/or in a more limited number of sectors than diversified mutual funds. In addition, should the investment outlook of the Fund’s investment manager so warrant, the Fund may engage in a variety of investment techniques including short sales designed to capitalize on declines in the market price of specific securities of one or more companies, or declines in market indexes or government securities.

2. Significant accounting policies — Management has evaluated the events and transactions from June 30, 2013 through the date of issuance of the Fund’s financial statements. For the Fund, there were no material subsequent events that required disclosure in the financial statements or footnotes.

A. Security valuation — Equity securities are valued on the basis of valuations furnished by a pricing service, authorized by the Board of Trustees (the “Board”). Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (“OTC”) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. For securities with no sale reported, the last reported bid price is used for long positions and the last reported ask price for short positions. Corporate debt securities (other than short-term obligations purchased with an original or remaining maturity of sixty days or less) are valued on the basis of valuations furnished by a pricing service, authorized by the Board, which determines valuations for normal, institutional-size trading units of such securities using market information, transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders. United States government debt securities held long are valued at the current closing bid and if held short are valued at the current closing ask, as last reported by a pricing service approved by the Board. Short-term investments purchased with an original or remaining maturity of sixty days or less are valued at amortized cost, which approximates value.

When current market prices or quotations are not readily available or do not accurately reflect fair value, valuations may be determined in accordance with procedures adopted by the Board. For example, when developments occur between the close of a market and the close of the NYSE that may materially affect the value of some or all of the securities, or when trading in a security is halted, these procedures may be used. The frequency with which these procedures are used is unpredictable. These valuation procedures may result in a change to a particular security’s assigned level within the fair value hierarchy described below. The value of securities used for net asset value (“NAV”) calculation under these procedures may differ from published prices for the same securities.

The Fund may use valuation techniques consistent with the market, income, and cost approach to measure fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts (cash flows, earnings) to a single present amount. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset. To

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

increase consistency and comparability in fair value measurements and related disclosure, the Fund utilizes a fair value hierarchy which prioritizes the various inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 – Prices determined using: quoted prices in active markets for identical securities that the Fund has the ability to access at the measurement date. Valuation adjustments are not applied to Level 1 investments.
- Level 2 – Prices determined using: other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).
- Level 3 – Prices determined using: significant unobservable inputs, including the Fund's own assumptions and judgment in determining the fair value of investments. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available in the circumstances. Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by Capital Growth Management Limited Partnership, the Fund's investment adviser ("CGM"). Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments as of June 30, 2013:

Classification	Valuation Inputs		
	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs
Common Stocks*	\$1,463,340,300	\$ —	\$ —
Debt Securities			
Repurchase Agreement	—	10,480,000	—
Total	<u>\$1,463,340,300</u>	<u>\$ 10,480,000</u>	<u>\$ —</u>
Shorts:			
Debt Securities			
United States Treasury	\$ —	\$401,554,760	\$ —
Total	<u>\$ —</u>	<u>\$401,554,760</u>	<u>\$ —</u>

*All common stocks held in the Fund are Level 1 securities. For a detailed break-out of common stocks by major industry classification, please refer to the Schedule of Investments.

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

- B. Security transactions and related investment income** — Security transactions are accounted for on the trade date plus one basis for daily NAV calculations. However, for financial reporting purposes, investment transactions are reported on trade date (date the order to buy or sell is executed). Dividend income is recorded on the ex-dividend date net of applicable foreign taxes, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable based upon its current interpretations of the tax rules and regulations that exist in the markets in which it invests. Interest income is recorded on the accrual basis and includes amortization of premium and discount. Net gain or loss on securities sold is determined on the identified cost basis and may include proceeds from litigation. Non-cash dividend payments, if any, are recorded at the fair market value of the securities received.
- C. Federal income taxes** — It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute to its shareholders all of its taxable income and net realized capital gains, within the prescribed time period.

Capital accounts within the financial statements are adjusted for permanent book/tax differences. These adjustments have no impact on the Fund's net assets or results of operations. Temporary book/tax differences, if any, will reverse in a subsequent period. The difference between book basis and tax basis unrealized appreciation is attributable primarily to the temporary book/tax difference of tax deferral of losses on wash sales.

As of June 30, 2013, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income	Undistributed Long-term Capital Gains	Net Unrealized Appreciation/ (Depreciation)
\$ —	\$ —	\$162,029,272

The identified cost of investments in securities held long, owned by the Fund for federal income tax purposes, and their respective gross unrealized appreciation and depreciation at June 30, 2013 was as follows:

Identified Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
\$1,311,791,028	\$177,872,006	\$(15,842,734)	\$162,029,272

For the year ended December 31, 2012, the capital loss carryovers utilized or expired and the accumulated net realized loss on sales of investments for federal income tax purposes which are available to offset future taxable gains, prior to distributing such gains to shareholders, are shown in the table below:

	Capital Loss Carryovers Utilized	Capital Loss Carryovers Expired	Remaining Capital Loss Carryovers	Expires December 31,
	\$ 55,137,711	\$ —	\$1,439,456,236	2016
	—	—	1,572,159,776	2017
Total	<u>\$ 55,137,711</u>	<u>\$ —</u>	<u>\$3,011,616,012</u>	

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

Capital losses may be utilized to offset future capital gains until expiration. Under the Regulated Investment Company Modernization Act of 2010, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. Losses incurred during those future years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, pre-enactment capital loss carry forwards may more likely expire unused. Also, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

Management has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

- D. Dividends and distributions to shareholders** — Dividends and distributions are recorded by the Fund on the ex-dividend date. The classification of income and capital gains distributions is determined in accordance with income tax regulations. Distributions from net investment income and short-term capital gains are treated as ordinary income for income tax purposes. Permanent book/tax differences relating to shareholder distributions may result in reclassifications to paid-in capital or accumulated realized gain/(loss). Permanent book/tax differences are primarily attributable to net operating losses. The Fund also may utilize earnings and profits distributed to shareholders on redemption of shares as a part of the dividend deduction for income tax purposes. Undistributed net investment income or accumulated net investment loss may include temporary book/tax differences such as tax deferral of losses on wash sales, which will reverse in a subsequent period. Any taxable income or gain remaining at fiscal year end is distributed in the following year. The tax characterization of distributions is determined on an annual basis.
- E. Short sales** — The Fund may sell securities short. A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund makes a short sale, it must borrow the security sold short to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing the security at the market price at the time of the replacement. The Fund is liable for any dividends or interest paid on securities sold short. While the short sale is outstanding, the Fund is required to collateralize its obligations, which has the practical effect of limiting the extent to which the Fund may engage in short sales. Under certain market conditions, short sales can increase the volatility of the Fund and may lower the Fund's return or result in losses, which potentially may be unlimited. The market value of securities held in a segregated account at June 30, 2013 was \$248,437,000 and the value of cash held in a segregated account, a portion of which may have been restricted at June 30, 2013, was \$427,721,051.
- F. Indemnities** — In the normal course of business, the Fund may enter into contracts that provide indemnities to third parties for various potential losses and claims. The Fund's maximum exposure under these arrangements is unknown as this would depend on future claims that may be made against the Fund. The risk of material loss from such claims is considered remote.
- G. Foreign currency translation** — All assets and liabilities initially expressed in terms of foreign currencies are translated into U.S. dollars each day at the prevailing exchange rate. Transactions affecting statement

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

of operations accounts and net realized gain/(loss) on investments are translated at the rates prevailing at the dates of the transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Reported net realized foreign exchange gains or losses arise from sales of foreign currency, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains or losses arise from changes in the value of assets and liabilities other than investments in securities at the end of the period, resulting from changes in the exchange rate.

- H. Repurchase agreements** — The Fund enters into repurchase agreements, under the terms of a Master Repurchase Agreement, secured by U.S. government or agency securities, which involve the purchase of securities from a counterparty with a simultaneous commitment to resell the securities at an agreed upon date and price. Certain repurchase agreements are tri-party arrangements whereby the collateral is held in a segregated account for the benefit of the Fund and on behalf of the counterparty. Repurchase agreements afford the Fund the opportunity to earn a return on temporarily available cash at minimal market risk. While the underlying security may be a bill, certificate of indebtedness, note or bond issued by an agency, authority or instrumentality of the U.S. Government, the obligation of the seller is not guaranteed by the U.S. Government and there is a risk that the seller may fail to repurchase the underlying security. Upon an event of default under the Master Repurchase Agreement, the Fund would attempt to exercise its rights with respect to the underlying security, including taking possession of the cash and/or collateral provided by the seller.

At June 30, 2013, the Fund had investments in repurchase agreements with a gross value of \$10,480,000 on the Statement of Assets and Liabilities, which was not offset. The value of the related collateral consisting of cash and/or securities of \$10,692,175 exceeded the value of the repurchase agreements at June 30, 2013 by \$212,175.

- I. Use of estimates** — The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Risks and uncertainties

- A. Non-diversification risk** — The Fund is non-diversified, meaning it may invest a significant portion of its investments within a single industry, sector of the economy or fewer individual holdings than a diversified fund. Therefore, the Fund may be subject to greater price volatility or be adversely affected by the performance of particular industries, sectors, or individual holdings compared to the performance of a diversified fund.
- B. Risks associated with foreign investments** — The Fund may invest in securities issued by institutions, corporations, and governments established by or located in foreign countries, which may be developed or undeveloped countries. Investing in foreign securities may involve significant risks. For example, there is

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

generally less publicly available information about foreign companies, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. Foreign issuers are generally not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Investments in foreign securities also involve the risk of possible adverse changes in investment or exchange control regulations, expropriation or confiscatory taxation, political or financial instability or diplomatic and other developments which could affect such investments. Foreign stock markets, while growing in volume and sophistication, are generally not as developed as those in the United States, and securities of some foreign issuers (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. companies. In general, there is less overall governmental supervision and regulation of foreign securities markets, broker-dealers and issuers than in the United States. Additionally, because some foreign securities the Fund may acquire are purchased with and payable in foreign currencies, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

The Fund's Prospectus and Statement of Additional Information contain additional information on other risks and uncertainties relating to the Fund's investments.

4. Purchases and sales of securities — For the period ended June 30, 2013, purchases and sales of securities other than United States government obligations and short-term investments aggregated \$2,599,641,903 and \$2,763,834,517, respectively. Short sales and buys to cover for U.S. treasury bonds for the period ended June 30, 2013 were \$144,968,750 and \$0, respectively.

5. Fees and expenses

- A. Management fees** — During the period ended June 30, 2013, the Fund incurred management fees of \$7,247,198, paid or payable to CGM, certain officers and employees of which are also officers and trustees of the Fund. The management agreement provides for a fee at the annual rate of 1.00% on the first \$500 million of the Fund's average daily net assets, 0.95% of the next \$500 million of the Fund's average daily net assets and 0.90% on amounts in excess of \$1 billion of the Fund's average daily net assets.
- B. Other expenses** — The majority of expenses are directly attributable to the Fund. Expenses that are not readily attributable to the Fund are allocated among each of the three funds comprising the Trust in an equitable manner, taking into consideration, among other things, the nature and type of expense and the funds' respective net assets. CGM performs certain administrative, accounting, compliance and other services for the Fund. The expenses of those services, which are paid to CGM by the Fund, include the following: (i) expenses for personnel performing bookkeeping, accounting and financial reporting and clerical functions relating to the Fund; (ii) expenses for services required in connection with the preparation of registration statements and prospectuses, shareholder reports and notices, proxy solicitation material furnished to shareholders of the Fund or regulatory authorities and reports and questionnaires for SEC compliance; (iii) registration, filing and other fees in connection with requirements of regulatory authorities; and (iv) compliance in connection to the Investment Company Act of 1940 and the Sarbanes-Oxley Act of 2002. The accounting, administration and compliance expenses of \$267,065, for the period ended June 30, 2013, are shown separately in the Statement of Operations. These expenses include the reimbursement of a portion of the compensation expenses incurred by CGM for its employees who provide these

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

administrative, accounting, compliance, and other services to the Fund, including \$189,720 of the salaries of CGM employees who are officers of the Fund.

C. Trustees fees and expenses — The Fund does not pay any compensation directly to any trustees who are officers or employees of CGM, or any affiliate of CGM (other than registered investment companies). For the period ending December 31, 2013, each disinterested trustee will be compensated by the Trust with an annual fee of \$70,000 plus travel expenses for each meeting attended. The disinterested trustees are responsible for the audit committee functions of the Trust's Board and have designated a chairman to oversee those functions who receives an additional \$30,000 annually. Of these amounts, the Fund is responsible for \$10,000 per trustee annually, plus an annual variable fee calculated based on the proportion of the Fund's average net assets relative to the aggregate average net assets of the Trust.

6. Line of credit — The Fund has a \$40,000,000 committed, secured line of credit with State Street Bank and Trust Company. Borrowings under the line will be charged interest at 1.25% over the higher of the Federal Funds Rate and the Overnight LIBOR Rate. The Fund incurs a commitment fee of 0.11% per annum on the unused portion of the line of credit, payable quarterly, through October 11, 2013. There were no borrowings under the line of credit during the period ended June 30, 2013.

7. Guarantees and indemnifications — Under the Trust's organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties for the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss from such claims is considered remote.

8. Recent accounting pronouncement — On June 7, 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-08, *Financial Services—Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements*. This final standard modifies the criteria used in defining an investment company under GAAP. It also sets forth certain measurement and disclosure requirements. The requirements of the FASB's final standard are effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosure, if any.

CGM FOCUS FUND

ADDITIONAL INFORMATION

(unaudited)

Availability of proxy voting information:

Proxy voting policies and information regarding how the Fund voted proxies relating to portfolio securities during the twelve month period ended June 30, 2013 are available without charge, upon request by calling 800-345-4048. The policies also appear in the Fund's Statement of Additional Information, which can be found on the CGM Funds website, www.cgmfunds.com, and the SEC's website, www.sec.gov. The voting records can also be found on the SEC's website on the N-PX filing.

Portfolio holdings:

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

Advisory agreement approval:

In considering renewal of the advisory agreement, during meetings held in March and April 2013, the Board considered the following factors and came to the following conclusions:

1. The Board considered the nature, extent, quality and scope of the investment advisory and administrative services provided by CGM to the Fund. The Board agreed that the quality of the CGM professional team working on the Fund was very high, and was satisfied with the quality of CGM's advisory and administrative services.
2. The Board considered the investment performance of the Fund and reviewed information regarding the performance of the Fund as compared to market indices and a peer group of other capital appreciation funds provided by Lipper, Inc., an independent provider of investment company data. The Board noted the poor performance of the Fund for the one year, three-year, and five-year periods ended December 31, 2012. However, the Board noted the strong performance of the Fund for the ten-year period ended December 31, 2012 and that for such ten-year period the Fund (a) ranked in the ninth percentile of the Lipper Capital Appreciation Fund Universe, and (b) outperformed the S&P 500 Index. The Board agreed that this performance reflected in large measure the focus of CGM on long-term performance in managing the Fund's assets, including seeking to take advantage of strategic trends in the economy that might take some time to develop. The Board acknowledged that, while for some periods this focus on long-term performance might cause the Fund to lag other comparable mutual funds with a more short-term focus, over the longer term CGM's approach had proven its worth. While bearing in mind the limited weight that should be given to short-term measures of performance especially in view of CGM's longer term approach, the Board noted that the Fund ranked in the first percentile of the Lipper Capital Appreciation Fund Universe for the quarter ended December 31, 2012 and ranked in the fifth percentile of the Lipper Capital Appreciation Fund Universe for the quarter ended March 31, 2013.
3. The Board discussed the costs of the services provided and profits realized by CGM from the relationship with the mutual funds advised by CGM and other client accounts managed by CGM. The Board also compared the profit margins of CGM with public information on the profit margins of some publicly held investment advisory firms. The Board found that CGM's profit margins were reasonable and not excessive.

CGM FOCUS FUND

ADDITIONAL INFORMATION (continued)

(unaudited)

4. The Board discussed with CGM whether economies of scale might be realized with growth in the Fund, but in light of the fact that the Fund experienced net redemptions in 2012, the Board determined that it would not be advisable at this time to seek to make adjustments to the break point structure of the advisory fees paid by the Fund.

5. The Board received and considered information comparing the advisory fees paid by the Fund and the overall expenses borne by the Fund with those of funds in the relevant expense universe as selected and provided by Lipper, Inc. The Board noted that the overall expense ratio of the Fund was below the median overall expense ratios of mutual funds included in the Lipper peer group. The Board noted that the advisory fee paid by the Fund was above the median for the mutual funds included in the Lipper peer group, but concluded that the fee was reasonable in light of CGM's active investment style and the flexibility of the Fund to sell securities short and to leverage positions, which are strategies that many other capital appreciation mutual funds lack the flexibility to pursue. The Board concluded that the advisory fees paid by the Fund and the overall expenses borne by the Fund were reasonable and competitive.

In addition to the foregoing, in light of the fact that CGM could potentially benefit from soft dollar arrangements of the Fund, the Board reviewed the brokerage commissions of the Fund and concluded that the brokerage commissions were reasonable, particularly given CGM's focus on best execution.

CGM FOCUS FUND

FUND EXPENSES

(unaudited)

As a shareholder of CGM Focus Fund, you incur two types of costs: (1) transaction costs, which could include, among other charges, wire fees and custodial maintenance fees for certain types of accounts and (2) ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period January 1, 2013 to June 30, 2013.

Actual return and expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as any wire fees or custodial maintenance fees that may be payable. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	<i>Beginning Account Value 01/01/13</i>	<i>Ending Account Value 06/30/13</i>	<i>Expenses Paid During Period* 01/01/13 – 06/30/13</i>
Actual	\$1,000.00	\$1,153.20	\$10.14
Hypothetical (5% return before expenses)	\$1,000.00	\$1,015.38	\$ 9.49

* Expenses are equal to the Fund’s annualized expense ratio of 1.90%, which includes expenses related to short sales activity, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

BOARD OF TRUSTEES

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MARK W. HOLLAND

ROBERT L. KEMP

JAMES VAN DYKE QUEREAU, JR.

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NICOLE M. FEMBLEAUX, *Assistant Vice President*

INVESTMENT ADVISER

CAPITAL GROWTH MANAGEMENT LIMITED
PARTNERSHIP

Boston, Massachusetts 02110

TRANSFER AND DIVIDEND PAYING AGENT AND CUSTODIAN OF ASSETS

STATE STREET BANK AND TRUST COMPANY

Boston, Massachusetts 02111

SHAREHOLDER SERVICING AGENT FOR STATE STREET BANK AND TRUST COMPANY

BOSTON FINANCIAL DATA SERVICES, INC.

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